

Chapter 27. Regulation 51 B?

Individual Health Insurance Rating Requirements

§2701. Purpose

A. The purpose of this rule is to facilitate the implementation of R.S. 22:228.6. The intent of R.S. 22:228.6 is to establish a modified community rating system for health care premiums in the state. Adherence to this rule by individual health and accident insurance carriers will bring carriers into compliance with §22:228.6. The provisions of R.S. 22:228.6 not specifically addressed in this rule are in full force and effect as if they were addressed herein.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10 and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:314 (March 1994), amended LR 21:1338 (December 1995).

§2703. Applicability and Scope

A. R.S. 22:228.6 applies to the rating of small group and individual health benefit plans. This particular regulation applies to the compliance of individual health benefit plans only.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10 and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:314 (March 1994), amended LR 21:1338 (December 1995).

§2705. Definitions

Individual Policy any hospital, health or medical expense insurance policy, hospital or medical services contract, health and accident insurance policy, or any other insurance contract of this type covering any one person with or without eligible family members. Not included under this definition are continuation or conversion policies, or insurance policies written to cover specified disease, hospital indemnity, accident only, credit, dental, or disability income, Medicare supplementary or long-term care, or other limited supplemental benefit insurance policies. *Individual policy* also means a policy issued to an individual or individual member of an association where the individual pays for the entire premium.

Manual Rate the lowest premium rate charged or which could have been charged under a rating system by the carrier to individuals with similar case characteristics for health benefit plans with the same or similar coverage. Coverage and case characteristic variations in the manual must bear a reasonable relationship to normal expectations based on experience of standard risks. The use of experience alone is not sufficient justification for variations beyond such expectations.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10 and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:314 (March 1994), amended LR 21:1338 (December 1995).

§2707. Restrictions on Premium Rates

A. Each individual health and accident insurance carrier shall define a rate manual for its individual business. The manual will be used to determine compliance with the intent of the law for the relationship of one individual to the others within a carrier's block of individual business. For the purpose of this rule, all individual businesses shall be considered one class, and that class shall not be subject to R.S. 22:228.2.A.(1).

B. R.S. 22:228.6.b(2)(e), requires, in substance, that the premium rates charges during a rating period to individuals may not vary from the index rate by more than 20 percent following January 1, 1994. This requirement shall be met for each individual if the ratio of the premium charged the individual to that calculated from the rate manual is between 1 and 1.5 for rating periods following January 1, 1994.

C. For individual health insurance, the acceptability of a proposed rate increase for an individual contract or certificate shall be determined by comparing the desired renewal premium to a maximum renewal premium calculated as follows.

1. Calculate a premium using manual rates for the individual from the rate manual in effect at the renewal date, based on the case characteristics of the individual and the current benefit plan.

2. For rating periods following January 1, 1994, the maximum renewal premium is 1.5 times the manual rate in §2707.C.1.

3. In cases where the individual policy or contract does not have a specified renewal date, the anniversary of the date of issue shall be used as a proxy for the renewal date.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10 and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:314 (March 1994), amended LR 21:1338 (December 1995).

§2709. General Provisions

A. Other methods may be used if it is demonstrated to the satisfaction of the department that such methods are designed to attain and/or enhance the purposes of R.S. 22:228.6. Such a demonstration shall at least consist of an actuarial certification and the methodology for testing compliance with R.S. 22:228.6.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10 and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:314 (March 1994), amended LR 21:1338 (December 1995).